CORRECTIONS AND PUBLIC SAFETY

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2007

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Correctional Facilities Industries Revolving Fund as at March 31, 2007 and the statements of operations and accumulated operating surplus/(deficit) and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
May 25, 2007

Fred Wendel, CMA, CA
Provincial Auditor

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
BALANCE SHEET
AS AT MARCH 31

	2007	2006
ASSETS		
Current assets:		
Accounts receivable	$ 175,920	$ 92,093
Inventory (Note 6)	85,939	86,624
	261,859	178,717
	$ 261,859	$ 178,717
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 36,542	$ 40,861
Accumulated net expenditure (Statement 3)	198,367	157,208
Fund equity:		
Accumulated operating surplus/(deficit) (Statement 2)	26,950	(19,352)
	$ 261,859	$ 178,717

(See accompanying notes to the financial statements)

Statement 2

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF OPERATIONS
AND ACCUMULATED OPERATING SURPLUS/(DEFICIT)
FOR THE YEAR ENDED MARCH 31

	2007		2006
	Budget (Note 10)	Actual	Actual
Sales	$ 515,000	$ 497,168	$ 381,073
Cost of goods sold (Note 5)	454,300	445,466	419,714
Gross profit	60,700	51,702	(38,641)
Operating expenses:			
Salaries	51,000	40,362	40,742
Travel	6,400	1,297	5,498
Miscellaneous	1,000	1,129	2,837
Repairs and maintenance	600	340	---
Office supplies	1,250	2,298	928
Bad debts	1,000	---	127
Delivery	250	51	26
Returns	500	---	577
	62,000	45,477	50,735
Net income/(loss) from operations	(1,300)	6,225	(89,376)
Other income	---	77	8,941
Subsidy from General Revenue Fund	40,000	40,000	40,000
Deficit recovered from General Revenue Fund (Note 4)	---	---	25,000
Net income/(loss) income	$ 38,700	46,302	(15,435)
Accumulated operating deficit, beginning of year		(19,352)	(3,917)
Accumulated operating surplus/(deficit), end of year (Statement 1)		$ 26,950	$ (19,352)

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF CHANGES IN
ACCUMULATED NET EXPENDITURE
FOR THE YEAR ENDED MARCH 31

	2007	2006
Financing (provided by) required for operating activities:		
Net (income)/loss	$ (46,302)	$ 15,435
Working capital changes related to operations		
Increase in accounts receivable	83,827	36,889
Decrease in inventories	(685)	(24,844)
Decrease (increase) in current liabilities	4,319	(19,237)
Net financing provided by operating activities	41,159	8,243
Accumulated net expenditure, beginning of year	157,208	148,965
Accumulated net expenditure, end of year (Statement 1)	$ 198,367	$ 157,208

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2007

1. Authority and Definition of Entity

The Revolving Fund operates under the authority of Section 53 of *The Correctional Services Act*. The purpose of the Revolving Fund is to rehabilitate inmates by operating work programs intended to provide practical and marketable work skills for inmates and which provides a revenue source to reduce the costs of inmate programming.

2. Significant Accounting Policies

The financial statements are prepared using Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 7. The following accounting policies are considered significant:

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the aggregate of net increases (decreases) in financing requirements for all fiscal years.

c) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

d) Revenue Recognition

The financial statements recognize revenue from long-term contracts proportionately with the degree of completion of goods under contract.

e) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using the first in, first out method.

f) Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Authorized Financing

Subsection 53 (10) of *The Correctional Services Act* specifies that the maximum accumulated net expenditure will be set by order of the Lieutenant Governor in Council. A maximum amount of $900,000 was established by Order in Council 816/89.

4. Disposition of Accumulated Operating Surplus or Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the surplus/deficit exceeds the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. Plans may include, but are not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. The approved surplus/deficit limit for the Correctional Facilities Industries Revolving Fund is $100,000 per year.

5. Cost of Goods Sold

Cost of goods sold consists of the following:

	2007	2006
Materials	$ 198,291	$ 168,053
Supplies	11,576	12,574
Small Tools	261	2,075
Inmate Incentive	40,018	32,198
Staff Salaries	176,667	190,803
Shop Expense	18,653	14,011
	$ 445,466	$ 419,714

6. Inventory

Inventory consists of the following:

	2007	2006
Raw Materials	$ 59,111	$ 71,342
Work in Process	14,168	7,470
Finished Goods	12,660	7,812
	$ 85,939	$ 86,624

7. Amount Reported in the Public Accounts

The net recovery (expense) of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	2007	2006
Net income/(loss) after subsidy and other income	$ 46,302	$ (40,435)
Deficit recovered from the General Revenue Fund	---	25,000
Decrease in inventory balance	(685)	24,844
Timing differences in recording receipts and payments	4,604	30,076
Net recovery (expense) reported in the Public Accounts	$ 50,221	$ 39,485

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2007	2006
Sales	$ 59,957	$ 101,505
Accounts receivable	23,859	24,837

In addition, the Revolving Fund pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

In accordance with established Government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, use of tangible capital assets and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

9. Financial Instruments

The Revolving Fund's financial instruments consist of accounts receivable, accounts payable and accumulated net expenditure.

a) Significant terms and conditions

There are no significant terms and conditions related to the financial instruments that may affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. Accounts receivable balances are outstanding from many customers, which helps reduce credit risk.

c) Fair value

The carrying amounts approximate fair value due to their immediate or short-term nature. The fair value of the accumulated net expenditure has not been disclosed because it is not practicable to determine the fair value with sufficient reliability.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Contingency

The Revolving Fund is a defendant in a legal proceeding. An estimate of losses, if any, cannot be determined at this time. Accordingly, no provision has been made in the Revolving Fund's accounts.